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# 六福集團(國際)有限公司

## LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(於百慕達註冊成立之有限公司)  
(Incorporated in Bermuda with Limited Liability)  
Stock Code 股份代號 : 0590

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013

The board of directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2013 together with the comparative figures as follows:

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenue	3	13,411,691	11,907,440
Cost of sales	4	(10,581,660)	(9,148,749)
Gross profit		2,830,031	2,758,691
Other income		106,507	68,521
Selling and distribution costs	4	(1,310,567)	(1,076,388)
Administrative expenses	4	(114,939)	(136,079)
Other gains/(losses), net	5	13,156	(22,416)
Operating profit		1,524,188	1,592,329
Finance income		6,741	3,332
Finance costs		(311)	(3,208)
Finance income, net		6,430	124
Share of results of an associate		(1,020)	2,759
Profit before income tax		1,529,598	1,595,212
Income tax expenses	6	(260,342)	(247,970)
Profit for the year		1,269,256	1,347,242
Profit attributable to:			
Equity holders of the Company		1,265,797	1,333,941
Non-controlling interests		3,459	13,301
		1,269,256	1,347,242
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic	7	HK\$2.15	HK\$2.43
Diluted		HK\$2.15	HK\$2.43

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 MARCH 2013*

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit for the year	<u>1,269,256</u>	<u>1,347,242</u>
Other comprehensive income:		
Currency translation differences	41,232	30,438
Reversal of revaluation surplus made in prior year, net of tax	<u>–</u>	<u>(16,114)</u>
Other comprehensive income for the year, net of tax	<u>41,232</u>	<u>14,324</u>
Total comprehensive income for the year	<u><b>1,310,488</b></u>	<u>1,361,566</u>
Attributable to:		
— Equity holders of the Company	1,306,401	1,347,515
— Non-controlling interests	<u>4,087</u>	<u>14,051</u>
Total comprehensive income for the year	<u><b>1,310,488</b></u>	<u>1,361,566</u>

**CONSOLIDATED BALANCE SHEET**  
*AS AT 31 MARCH 2013*

		<b>As at 31 March</b>	
		<b>2013</b>	2012
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		<b>516,172</b>	395,160
Land use rights		<b>188,717</b>	48,574
Investment properties		<b>32,303</b>	62,253
Interests in an associate		<b>7,303</b>	8,161
Trading licence		<b>1,080</b>	1,080
Rental deposits and prepayments		<b>100,309</b>	64,182
Deferred income tax assets		<b>30,041</b>	29,936
		<u><b>875,925</b></u>	<u>609,346</u>
Current assets			
Inventories		<b>4,955,374</b>	4,330,499
Trade receivables	9	<b>316,629</b>	162,516
Deposits, prepayments and other receivables		<b>197,745</b>	98,043
Amount due from an associate		<b>4,068</b>	–
Income tax recoverable		<b>25,326</b>	–
Cash and cash equivalents		<b>1,186,808</b>	1,538,057
		<u><b>6,685,950</b></u>	<u>6,129,115</u>
Total assets		<u><b>7,561,875</b></u>	<u>6,738,461</u>
<b>EQUITY</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital	10	<b>58,910</b>	58,910
Share premium	10	<b>2,522,983</b>	2,522,983
Reserves		<b>3,560,083</b>	2,760,315
Proposed dividends		<b>282,772</b>	253,316
		<u><b>6,424,748</b></u>	<u>5,595,524</u>
Non-controlling interests		<b>52,845</b>	48,758
Total equity		<u><b>6,477,593</b></u>	<u>5,644,282</u>

		<b>As at 31 March</b>	
		<b>2013</b>	2012
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		<b>42,428</b>	23,988
Employee benefit obligations		<b>37,914</b>	53,921
		<u><b>80,342</b></u>	<u>77,909</u>
Current liabilities			
Trade payables, other payables and accruals	<i>11</i>	<b>938,404</b>	877,089
Amount due to an associate		–	21,039
Current income tax liabilities		<b>65,536</b>	118,142
		<u><b>1,003,940</b></u>	<u>1,016,270</u>
Total liabilities		<u><b>1,084,282</b></u>	<u>1,094,179</u>
Total equity and liabilities		<u><b>7,561,875</b></u>	<u>6,738,461</u>
Net current assets		<u><b>5,682,010</b></u>	<u>5,112,845</u>
Total assets less current liabilities		<u><b>6,557,935</b></u>	<u>5,722,191</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Luk Fook Holdings (International) Limited (the “Company”) was incorporated in Bermuda on 3 September 1996 as a company with limited liability under the Companies Act of Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12 Bermuda.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of platinum and gold jewellery, gold ornaments, gem-set jewellery, jadeites and gemstones and other accessory items.

The Company’s shares were listed in the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 May 1997.

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are carried at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### (a) New/revised HKFRS effective during the year ended 31 March 2013

There are no new/revised HKFRS or HKFRS interpretations that are effective for the first time for the financial year beginning 1 April 2012 and are relevant to the Group’s operations that have a material impact to the Group.

### (b) New/revised standards and amendments to existing standards have been issued but are not effective

The following new/revised standards and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Group:

HKAS 1 (Amendment)	Presentation of items of other comprehensive income <sup>(1)</sup>
HKAS 19 (2011)	Employee benefits <sup>(1)</sup>
HKAS 27 (2011)	Separate financial statements <sup>(1)</sup>
HKAS 28 (2011)	Investments in associates and joint ventures <sup>(1)</sup>
HKAS 32 (Amendment)	Presentation — offsetting financial assets and financial liabilities <sup>(2)</sup>
HKFRS 1 (Amendment)	Government loans <sup>(1)</sup>
HKFRS 7 (Amendment)	Disclosures — offsetting financial assets and financial liabilities <sup>(1)</sup>
HKFRS 9	Financial instruments <sup>(3)</sup>
HKFRS 10	Consolidated financial statements <sup>(1)</sup>
HKFRS 11	Joint arrangements <sup>(1)</sup>
HKFRS 12	Disclosure of interests in other entities <sup>(1)</sup>
HKFRS 13	Fair value measurement <sup>(1)</sup>
Annual improvement project	Annual improvement 2009–2011 cycle <sup>(1)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 April 2013

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 April 2014

<sup>(3)</sup> Effective for the Group for annual period beginning on 1 April 2015

The Group has assessed that the adoption of HKFRS 10 does not have any significant impact on the Group as all subsidiaries within the Group satisfy the requirements of control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

The Group is in the process of making an assessment on the impact of these new/revised standards and amendments to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position taken as a whole. The Group intends to adopt the above new/revised standards and amendments to existing standards when they become effective.

### **3 SEGMENT INFORMATION**

The chief operating decision-makers ("CODM") has been identified as the executive directors and senior management collectively. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM considers the business by nature of business activities and assesses the performance of the following operating segments:

- i. Retailing — Hong Kong, Macau and overseas
- ii. Retailing — Mainland China
- iii. Wholesaling — Hong Kong
- iv. Wholesaling — Mainland China
- v. Licensing

CODM assesses the performance of the operating segments based on segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Assets of reportable segments exclude interests in an associate, certain land and buildings, investment properties, deferred income tax assets and corporate assets, all of which are managed on a central basis. These are part of reconciliation to total assets of the consolidated balance sheet.

Sales to external customers are after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the consolidated income statement and balance sheet.

To be consistent with internal reporting, the segment of "wholesaling" has been split to "wholesaling — Hong Kong" and "wholesaling — Mainland China". The relevant amounts for the year ended 31 March 2012 has also been presented to conform with the current year's presentation.

Year ended 31 March 2013

	Retailing — Hong Kong, Macau and overseas HK\$'000	Retailing — Mainland China HK\$'000	Wholesaling — Hong Kong HK\$'000	Wholesaling — Mainland China HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000
<b>Revenue</b>							
Sales to external customers	9,919,565	1,013,876	74,618	1,377,203	-	-	12,385,262
Sales of scrap gold and platinum and gold bullion	-	-	575,926	-	-	-	575,926
	9,919,565	1,013,876	650,544	1,377,203	-	-	12,961,188
Inter-segment sales	338,183	60,434	6,806,576	255,452	-	(7,460,645)	-
Sales of merchandises	10,257,748	1,074,310	7,457,120	1,632,655	-	(7,460,645)	12,961,188
Royalty income	-	-	-	-	421,635	-	421,635
Consultancy fee income	-	-	-	-	28,868	-	28,868
Total	10,257,748	1,074,310	7,457,120	1,632,655	450,503	(7,460,645)	13,411,691
<b>Results of reportable segments</b>	1,005,112	65,570	132,474	80,435	287,438	-	1,571,029

A reconciliation of results of reportable segments to profit for the year is as follows:

<b>Results of reportable segments</b>	1,571,029
Unallocated income	48,856
Unallocated expenses	(95,697)
<b>Operating profit</b>	1,524,188
Finance income	6,741
Finance costs	(311)
Share of results of an associate	(1,020)
<b>Profit before income tax</b>	1,529,598
Income tax expenses	(260,342)
<b>Profit for the year</b>	1,269,256
Non-controlling interests	(3,459)
<b>Profit attributable to equity holders of the Company</b>	1,265,797

Year ended 31 March 2013

	Retailing — Hong Kong, Macau and overseas HK\$'000	Retailing — Mainland China HK\$'000	Wholesaling — Hong Kong HK\$'000	Wholesaling — Mainland China HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	(38,738)	(20,315)	(1,214)	(9,469)	(5,666)	—	(75,402)	(16,890)	(92,292)
Amortisation of land use rights	—	—	—	(484)	(5,596)	—	(6,080)	(13)	(6,093)
Depreciation of investment properties	—	—	—	—	(160)	—	(160)	(1,424)	(1,584)
Addition of non-current assets	61,404	25,519	1,319	26,608	168,226	—	283,076	23,963	307,039

As at 31 March 2013

	Retailing — Hong Kong, Macau and overseas HK\$'000	Retailing — Mainland China HK\$'000	Wholesaling — Hong Kong HK\$'000	Wholesaling — Mainland China HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	3,864,219	1,240,816	677,841	1,268,028	356,876	(510,011)	6,897,769		6,897,769
Interests in an associate								7,303	7,303
Land and buildings								210,277	210,277
Investment properties								32,303	32,303
Deferred income tax assets								30,041	30,041
Other unallocated assets								384,182	384,182
<b>Total assets</b>									<b>7,561,875</b>
Segment liabilities	(513,316)	(331,666)	(131,398)	(196,999)	(211,298)	510,011	(874,666)		(874,666)
Deferred income tax liabilities								(42,428)	(42,428)
Current income tax liabilities								(65,536)	(65,536)
Other unallocated liabilities								(101,652)	(101,652)
<b>Total liabilities</b>									<b>(1,084,282)</b>



Year ended 31 March 2012

	Retailing — Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing — Mainland China <i>HK\$'000</i>	Wholesaling — Hong Kong <i>HK\$'000</i>	Wholesaling — Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
<b>Revenue</b>							
Sales to external customers	8,923,658	744,105	67,769	1,034,203	–	–	10,769,735
Sales of scrap gold and platinum and gold bullion	–	–	711,029	–	–	–	711,029
	8,923,658	744,105	778,798	1,034,203	–	–	11,480,764
Inter-segment sales	693,680	315	2,627,316	186,442	–	(3,507,753)	–
Sales of merchandises	9,617,338	744,420	3,406,114	1,220,645	–	(3,507,753)	11,480,764
Royalty income	–	–	–	–	402,743	–	402,743
Consultancy fee income	–	–	–	–	23,933	–	23,933
Total	<u>9,617,338</u>	<u>744,420</u>	<u>3,406,114</u>	<u>1,220,645</u>	<u>426,676</u>	<u>(3,507,753)</u>	<u>11,907,440</u>
<b>Results of reportable segments</b>	<u>1,073,258</u>	<u>85,133</u>	<u>169,232</u>	<u>144,085</u>	<u>284,040</u>	<u>–</u>	<u>1,755,748</u>
A reconciliation of results of reportable segments to profit for the year is as follows:							
<b>Results of reportable segments</b>							1,755,748
Unallocated income							9,934
Unallocated expenses							(173,353)
<b>Operating profit</b>							1,592,329
Finance income							3,332
Finance costs							(3,208)
Share of results of an associate							2,759
<b>Profit before income tax</b>							1,595,212
Income tax expenses							(247,970)
<b>Profit for the year</b>							1,347,242
Non-controlling interests							(13,301)
<b>Profit attributable to equity holders of the Company</b>							<u>1,333,941</u>

Year ended 31 March 2012

	Retailing — Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing — Mainland China <i>HK\$'000</i>	Wholesaling — Wholesaling — Hong Kong <i>HK\$'000</i>	Wholesaling — Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(28,082)	(11,886)	(1,094)	(8,831)	(1,425)	–	(51,318)	(18,475)	(69,793)
Amortisation of land use rights	–	–	–	(161)	(1,171)	–	(1,332)	(298)	(1,630)
Depreciation of investment properties	–	–	–	–	–	–	–	(1,257)	(1,257)
Addition of non-current assets	23,577	16,756	7,582	20,164	34,052	–	102,131	51,077	153,208

As at 31 March 2012

	Retailing — Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing — Mainland China <i>HK\$'000</i>	Wholesaling — Wholesaling — Hong Kong <i>HK\$'000</i>	Wholesaling — Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	3,110,679	776,988	938,925	1,344,741	266,763	(984,744)	5,453,352		5,453,352
Interests in an associate								8,161	8,161
Land and buildings								223,637	223,637
Investment properties								62,253	62,253
Deferred income tax assets								29,936	29,936
Other unallocated assets								961,122	961,122
<b>Total assets</b>									<b>6,738,461</b>
Segment liabilities	(682,208)	(610,581)	(213,631)	(78,313)	(255,449)	984,744	(855,438)		(855,438)
Deferred income tax liabilities								(23,988)	(23,988)
Current income tax liabilities								(118,142)	(118,142)
Other unallocated liabilities								(96,611)	(96,611)
<b>Total liabilities</b>									<b>(1,094,179)</b>

The Group's revenue are mainly derived from Hong Kong customers, Mainland China visitors in Hong Kong and customers in Mainland China. An analysis of the Group's revenue by location which the transaction took place is as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue		
Hong Kong	<b>8,715,955</b>	8,278,475
Mainland China	<b>2,841,582</b>	2,204,624
Other locations	<b>1,854,154</b>	1,424,341
	<b><u>13,411,691</u></b>	<u>11,907,440</u>

An analysis of the Group's non-current assets (other than deferred income tax assets and rental deposits) by location of assets is as follows:

	2013				2012			
	Hong Kong	Mainland China	Other locations	Total	Hong Kong	Mainland China	Other locations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	326,084	170,335	19,753	516,172	271,420	112,091	11,649	395,160
Land use rights	-	188,717	-	188,717	-	48,574	-	48,574
Investment properties	25,259	7,044	-	32,303	60,152	2,101	-	62,253
Interests in an associate	7,303	-	-	7,303	8,161	-	-	8,161
Trading licence	1,080	-	-	1,080	1,080	-	-	1,080
Prepayment for purchase of building and land use right	-	-	-	-	-	22,828	-	22,828
	<b><u>359,726</u></b>	<b><u>366,096</u></b>	<b><u>19,753</u></b>	<b><u>745,575</u></b>	<b><u>340,813</u></b>	<b><u>185,594</u></b>	<b><u>11,649</u></b>	<b><u>538,056</u></b>

#### 4 EXPENSES BY NATURE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of sales		
— cost of inventories sold ( <i>Note</i> )	10,431,541	9,010,107
— cost of licensing business ( <i>Note</i> )	150,119	138,642
	<u>10,581,660</u>	<u>9,148,749</u>
Staff costs (including the directors' emoluments)	538,840	530,563
Operating lease		
— minimum lease payments	284,215	204,631
— contingent rents	126,618	98,046
Advertising and promotion expenses	67,353	59,103
Commission expenses to credit card companies	113,402	101,990
Depreciation of property, plant and equipment	92,292	69,793
Depreciation of investment properties	1,584	1,257
Amortisation of land use rights	6,093	1,630
Loss on disposal of property, plant and equipment	1,055	590
Auditor's remuneration	4,141	3,920
Insurance	12,280	7,206
Packaging materials	13,267	11,499
Repair and maintenance	8,516	6,601
Rate and related expenses	10,495	10,184
Property management fee	14,727	8,229
Electricity	15,918	13,509
Others	114,710	83,716
	<u>12,007,166</u>	<u>10,361,216</u>
Total		
	<u>12,007,166</u>	<u>10,361,216</u>
Representing:		
Cost of sales	10,581,660	9,148,749
Selling and distribution costs	1,310,567	1,076,388
Administrative expenses	114,939	136,079
	<u>12,007,166</u>	<u>10,361,216</u>

*Note:* Cost of inventories sold and cost of licensing business include staff costs (including the directors emoluments) of HK\$166,641,000 (2012: HK\$139,620,000).

#### 5 OTHER GAINS/(LOSSES), NET

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gain/(loss) on derivative financial instruments — trading of gold	7,844	(26,228)
Net exchange gain	5,453	4,383
Others	(141)	(571)
	<u>13,156</u>	<u>(22,416)</u>

## 6 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current taxation:		
— Hong Kong profits tax	119,160	146,015
— overseas taxation	129,451	108,787
— over-provision in prior years	(6,604)	(4,581)
Deferred tax	18,335	(2,251)
	<u>260,342</u>	<u>247,970</u>

## 7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$1,265,797,000 (2012: HK\$1,333,941,000) and the weighted average number of 589,107,850 (2012: 550,019,872) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2013 and 2012 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

## 8 DIVIDENDS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
2012/13 interim, paid, of HK\$0.38 (2011/12 interim: HK\$0.53) per ordinary share	<u>223,861</u>	<u>287,529</u>
2012/13 final, proposed, of HK\$0.48 (2011/12 final: HK\$0.43) per ordinary share ( <i>Note</i> )	<u>282,772</u>	<u>253,316</u>

*Note:* At a meeting held on 26 June 2013, the directors recommended the payment of a final dividend of HK\$0.48 per ordinary share, totalling HK\$282,772,000. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 20 August 2013. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2014.

## 9 TRADE RECEIVABLES

The Group's sales comprised mainly cash sales and credit card sales. Concessionaire sales through department stores and sales to wholesale customers are generally on credit terms ranging from 0 to 90 days.

The ageing analysis of trade receivables is as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 30 days	<b>230,289</b>	131,989
31 – 60 days	<b>53,255</b>	20,447
61 – 90 days	<b>17,915</b>	8,389
91 – 120 days	<b>8,368</b>	1,493
Over 120 days	<b>6,802</b>	198
	<u><b>316,629</b></u>	<u>162,516</u>

The carrying amounts of trade receivables approximate their fair values.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
HK\$	<b>87,201</b>	44,605
RMB	<b>213,045</b>	112,080
MOP	<b>15,629</b>	5,618
Other currencies	<b>754</b>	213
	<u><b>316,629</b></u>	<u>162,516</u>

The credit quality of trade receivables has been assessed by reference to historical default rate of the counterparty. The existing counterparties do not have defaults in the past.

As at 31 March 2013, trade receivables of HK\$15,170,000 were past due but not impaired (2012: HK\$1,691,000) which aged over 90 days.

## 10 SHARE CAPITAL AND SHARE PREMIUM

### (a) Share capital

	2013		2012	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 1 April	589,107,850	58,910	542,507,850	54,250
Issue of shares	<u>–</u>	<u>–</u>	<u>46,600,000</u>	<u>4,660</u>
At 31 March	<u>589,107,850</u>	<u>58,910</u>	<u>589,107,850</u>	<u>58,910</u>

On 2 February 2012, the Company issued 46,600,000 ordinary shares at nominal value of HK\$0.1 each for aggregate cash consideration of HK\$1,363,050,000. The net proceeds of such issue of shares after deducting the issuing expenses of HK\$23,340,000, is credited to share capital and share premium accounts.

The new shares rank pari passu in all respects with the existing shares.

### (b) Share premium

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	2,522,983	1,187,933
Issue of shares	<u>–</u>	<u>1,335,050</u>
At 31 March	<u>2,522,983</u>	<u>2,522,983</u>

## 11 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade payables	445,530	402,961
Deposits from customers and licensees	213,075	204,931
Salaries and welfare payables	149,775	158,375
Other payables	84,470	71,963
Accrued expenses	45,554	38,859
	<u>938,404</u>	<u>877,089</u>

The ageing analysis of trade payables is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 30 days	309,219	233,750
31 – 60 days	120,948	98,752
61 – 90 days	5,034	8,609
91 – 120 days	10,167	21,014
Over 120 days	162	40,836
	<u>445,530</u>	<u>402,961</u>

The carrying amounts of trade payables and other payables approximate their fair values.

The carrying amounts of the Group's trade payables, other payables and accruals are denominated in the following currencies:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
HK\$	412,872	422,335
RMB	377,533	262,913
US\$	104,360	172,850
Other currencies	43,639	18,991
	<u>938,404</u>	<u>877,089</u>



## FINANCIAL PERFORMANCE

### Results

For the year ended 31 March 2013, Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred as the “Group” or “Lukfook”) continued to capture the growth opportunity despite prior year’s high base effect and a weak global economy. Revenue reached another year of record high of HK\$13,411,691,000 (2012: HK\$11,907,440,000), representing 12.6% growth over that of previous year. However, the benefit of revenue growth was diluted by a decrease in gross margin by 2.1% to 21.1% (2012: 23.2%). This was mainly due to the normalization in gross margin of gem-set jewellery and gold products in this year. As a result, the Group saw a modest increase in gross profit by 2.6% to HK\$2,830,031,000 (2012: HK\$2,758,691,000). Operating profit decreased by 4.3% to HK\$1,524,188,000 (2012: HK\$1,592,329,000). Apart from the impact of gross margin normalization, disproportionate increase in rental expenses arising from surging rental increment in Hong Kong and Macau and increase in depreciation with the opening of additional self-operated shops and regional offices as well as renovation carried out for the Group’s brand enhancement initiatives also accounted for the drop in profit. Operating margin was 11.4% (2012: 13.4%). The profit attributable to equity holders amounted to HK\$1,265,797,000 (2012: HK\$1,333,941,000), representing a 5.1% drop. Basic earnings per share were HK\$2.15 (2012: HK\$2.43).

### Overview

During the year under review, the Group opened a net total of 203 retail outlets in Mainland China with 5 and 3 retail outlets in Hong Kong and Macau, respectively. As at 31 March 2013, the Group had a total of 1,072 retail outlets globally in Mainland China, Hong Kong, Macau, Singapore, the United States and Canada.

The retail business continued to be the primary sales driver for the Group with an annual growth of 13.1%. This resulted in HK\$10,933,441,000 (2012: HK\$9,667,763,000) of retail revenue, accounting for 81.5% (2012: 81.2%) of total revenue. The wholesale business grew by 11.8% over the previous year to HK\$2,027,747,000 (2012: HK\$1,813,001,000), bringing in 15.1% (2012: 15.2%) of the Group’s total revenue. Licensing income accounted for the remaining 3.4% (2012: 3.6%) and amounted to HK\$450,503,000 (2012: HK\$426,676,000), a slight growth of 5.6%. Gold was the favourite item among customers and together with platinum contributed approximately 62.7% (2012: 62.0%) to the Group’s total sales while gem-set products contributed approximately 37.3% (2012: 38.0%). For the year under review, overall Same Stores Sales Growth\* (“SSSG”) of the Group was 7.4% (2012: 40.5%). SSSG for Hong Kong and Macau markets and the Mainland China market were 7.2% (2012: 41.3%) and 7.3% (2012: 25.3%), respectively during the year.

\* *Same store sales growth represents a comparison of sales of the same self-operated shop having full month operations in the comparable periods and such data does not include sales of licensed shops.*

## **BUSINESS REVIEW**

### **Hong Kong and Macau**

Hong Kong remained the key market for Lukfook, contributing 65.0% (2012: 69.5%) of the Group's total revenue amounting to HK\$8,715,955,000 (2012: HK\$8,278,475,000). This represented a growth of 5.3%. As at 31 March 2013, the Group operated a total of 37 (2012: 32) retail outlets in Hong Kong including a net increase of five new outlets in the year under review.

Mainland Chinese visitors continued to be the primary customers for the Hong Kong retail business, contributing around 60% of the Group's retail sales in this market. According to the Hong Kong Tourism Board, arrivals from Mainland China reached 34.9 million in 2012, representing an annual growth of 24.2%. In the first quarter of 2013, Mainland arrivals grew by 13.8%. Tourism-related sales revenue was driven mainly by the increasing number of middle-class Mainland tourists. Moreover, the continued appreciation of the Renminbi and the absence of value-added tax provided positive travel sentiment and strong demand for luxury products, both of which boosted local retail sales.

Macau tourism has also been booming as a result of the Individual Visit Scheme. In 2012 Mainland arrivals reached 17 million, representing an increase of 4.6% over the previous year. In Macau, the Group had 9 (2012: 6) self-operated outlets as at the end of March 2013. Revenue generated from the Macau market amounted to HK\$1,751,000,000 (2012: HK\$1,337,705,000), representing a spectacular growth rate of 30.9%.

The Group has been diversifying its product portfolio to provide customers with wider selection of choices. Since 2010, the Group has been taking advantage of new business opportunities from the mid to high-end watch market. As at 31 March 2013, the Group carried 23 watch brands, including BALL and its BALL for BMW series, BULOVA, CERTINA, COINWATCH, CORUM, DOXA, ENICAR, ERNEST BOREL, GRONELELD, H. MOSER & CIE, HAMILTON, HARRY WINSTON, LAMBORGHINI, LONGINES, LUDOVIC BALLOUARD, MAURICE LACROIX, MIDO, OMEGA, PHILIP STEIN, RADO, TAG HEUER, TISSOT and URWERK. For the year under review, the watch business contributed a revenue of HK\$236,810,000 (2012: HK\$202,554,000), representing 1.8% (2012: 1.7%) of the Group's total revenue with 16.9% growth over the last year.

In the past years, the Group generated publicity and enhanced its prestigious brand image by upgrading the stores' presentation and service, embarking upon extensive marketing campaigns, and executing a wide range of joint promotions, exhibitions and sponsorships, all of which achieved impressive results. The Group has also focused on identifying potential development opportunities and reviewing all aspects of its infrastructure to ensure that Lukfook remains an attractive brand to customers, and these efforts continued throughout the year under review.

## **Mainland China**

The Group continued to benefit from the fast expansion in Mainland China during the year. Revenue from Mainland China amounted to HK\$2,841,582,000 (2012: HK\$2,204,624,000), which represented 21.2% (2012: 18.5%) of the Group's total revenue and 28.9% growth over last year.

According to the World Gold Council, over 75% of all urban Chinese women now own more than one significant gold piece. The demand for gold and gold jewellery as investments or accessories continues to be strong in the Chinese community, especially in Mainland China, where there has been positive economic development and increasing prosperity over the past decade. During the year, the Group strove to further penetrate the Mainland Chinese market and expand its footprint from first-tier cities to lower-tier cities. This was evidenced by the 78 self-operating outlets and 944 licensed outlets under its domain, of which 17 and 186, respectively, were newly opened.

## **Overseas Development**

Adhering to its motto "Brand of Hong Kong, Sparkling the World", Lukfook has been expanding in the Southeast Asian market, Canada and the United States. During the year under review, the Group operated four overseas outlets, including one in Singapore, two in the United States and one in Canada. In January 2013, it renovated and expanded its store in New York, doubling the gross floor area. The new shop offers a warm and cosy environment for customers, providing the most enjoyable shopping experience possible.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31 March 2013, the Group's cash and cash equivalents reached approximately HK\$1,187 million (2012: HK\$1,538 million). The Group's bank borrowings-to-equity ratio at the year-end, being proportion of total bank borrowings of HK\$Nil (2012: HK\$NIL) against total shareholders' equity of approximately HK\$6,425 million (2012: HK\$5,596 million), was Nil (2012: NIL).

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

### **Capital Expenditure**

During the year under review, the Group incurred capital expenditures of approximately HK\$307 million (2012: HK\$153 million), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipments.

### **Capital Commitments**

As at 31 March 2013, the Group had total capital commitments in terms of property, plant and equipment acquisitions valued at approximately HK\$17 million (2012: HK\$26 million).

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 March 2013 and 31 March 2012.

## **Employment, Training, Development, Recruitment and Remuneration Policy**

As at 31 March 2013, the number of employees of the Group was approximately 5,400 (2012: 4,700). Remuneration policies were reviewed and approved by the management regularly to ensure fair rewards and compensation for our employees. Remuneration packages were structured to be comparable to the market while bonuses and other merit payments were correlated to the performances of the Group and the employees. Such a reward system aims to motivate employees to act in alignment with the Group's objective of business performance optimization by offering financial incentives.

## **OUTLOOK**

The Group will take a cautious approach in light of global economic uncertainties and its effects on the jewellery industry. The Group believes that Mainland China remains a promising market in the long run because of the increasing disposable income, a rapid urbanisation rate and government policies favouring domestic consumption. However, the sluggish global economic recovery and slowing economic growth in Mainland China may pose a potential threat to the industry in the near future.

Nevertheless, in order to capture the vast market potential in Mainland China, the Group will expand its retail network mainly by the licensing model in third- and lower-tier cities. In addition, opening flagship stores in prominent cities is one of our strategic moves to strengthen our market penetration there. Therefore, subsequent to 31 March 2013, the Group unveiled the establishment of a flagship store in Wuhan in May 2013. Lukfook will look to add approximately 200 new stores in the coming year mainly in the Mainland China market.

The Macau market has generated substantial profit contributions for the Group. With stable tourism arrivals, a new flagship store which was the Group's largest store worldwide located at Avenida de Almeida Ribeiro was opened in June 2013. The Group aims to open more stores in casinos and resorts to efficiently reach our target customers. In Hong Kong, our major geographic profit contributor for the retail business, rising rental costs continues to pose a challenge to the Group's operating costs, but it is expected to ease with the slowing economy in the near future. In response, the Group will expand its network along high-traffic railway stations, striving to maintain rental costs at reasonable levels and searching for opportunities in prime locations as appropriate.

With locations in Singapore, the United States and Canada, the brand continues to gain exposure in overseas markets. The Group will also seek new locations in attractive markets, both new and existing, to further establish its global footprint.

The international gold price is likely to continue fluctuating, and may strongly influence demand for gold. Recently in April and May 2013, due to a slump in the international gold price, there was an influx of gold buyers in Hong Kong, Macau and Mainland China, boosting the demand for gold products and particularly gold wedding items. As a result, in April and May 2013, despite the decrease in gross margin, the increase in sales volume has led to a sizable gross profit growth in gold products. In addition, up-selling of gem-set products also helped generate double digit growth in their respective sales.

To boost productivity, operating efficiency and management skills and to provide quality staff training on product knowledge, sales skills and customer service, the Group expanded its regional offices in Beijing, Shanghai, Wuhan and Nansha as well as its administrative office in Shenzhen during the past two years. The Group believes that doing so will help enhance quality of human capital of both our self operated shops and licensed shops. All these will also support store openings in Mainland China and ensure sustainable development in long term.

To strengthen its brand image, the Group will continue to leverage traditional and emerging mass media advertising. Another effective means of promoting the Lukfook brand is through our own stores. Following the opening of flagship stores in Wuhan and Macau, the Group will implement a similar strategy and continue to identify suitable locations in prominent cities to establish additional flagship stores.

Another initiative is optimising the Group's product mix to improve overall margins. As gem-set jewellery products enjoy higher gross margin than gold and platinum products, the Group will put greater effort into enhancing sales of such products via various initiatives and cross-selling promotions.

Looking ahead, on-going global economic uncertainties could make 2014 a challenging year. Therefore, the Group will remain vigilant, and continue to implement its business strategy as planned while actively responding to market challenges and opportunities. The Group believes its competitive strengths will continue to secure market share and strengthen its leading position in the international jewellery retail market.

## **DIVIDENDS**

The Directors proposed a final dividend of HK\$0.48 per ordinary share for the year ended 31 March 2013 (2012: HK\$0.43 per share) to shareholders whose names appear on the register of members of the Company on 23 August 2013. Taking into account of the interim dividend payment, the total dividend for the year would amount to HK\$0.86 per ordinary share, totalling HK\$506,633,000 for the year (2012: HK\$0.96 per ordinary share, totalling HK\$540,845,000), representing a decrease of approximately 6.3% compared with last year. Subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM") of the Company to be held on 20 August 2013, the final dividend will be paid on or around 3 September 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company for the AGM will be closed from 16 August 2013 to 20 August 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the AGM to be held on 20 August 2013, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 15 August 2013.

The Register of Members of the Company for the final dividend will also be closed on 26 August 2013 and no transfer of shares will be registered on that day. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 23 August 2013.

## **CORPORATE GOVERNANCE**

The Board and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2013, except for the following deviations:

1. Code Provision A.2.1 of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules provide that the roles of chairman and chief executive should be separate and should not be performed by the same individual, so that there is a clear division of responsibilities for the management of the Board and the day-to-day management of the Group's business to ensure a balance of power and authority.

In the view of the increasing trend of business deriving from Mainland China market, it is believed that Mr. WONG Wai Sheung being the Chairman and Chief Executive of the Company will further enhance the business development of the Group in Mainland China market due to the norms in Mainland China market on "status parity" when future business negotiations are conducted in Mainland China. Besides, members of the Board also include qualified professionals and other prominent and experienced individuals from our community. The Board considers that the existing Board composition, with the support of Board Committees and two executive Deputy Chairmen, can ensure a balance of power and authority. The Board has also appointed a reputable international accounting firm to perform a risk assessment of the Group.

- Ms. YEUNG Po Ling, Pauline, being the Non-executive Director of the Company, was unable to attend the annual general meeting of the Company held on 22 August 2012 as provided for in code provision A.6.7 of the Corporate Governance Code as she had other personal commitments.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, it is confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions in relation to the year ended 31 March 2013.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not redeemed any of its shares during the year. Save as disclosed in note 10 to this annual results announcement, neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2013. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2013 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY**

The results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited (“HKEX”) at [www.hkex.com.hk](http://www.hkex.com.hk) under “Latest Listed Companies Information” and the Company at [www.lukfook.com](http://www.lukfook.com) under the section of “About Lukfook Investor Relations/Announcements and Notices” respectively. The annual report of the Company for the year ended 31 March 2013 will be dispatched to the shareholders on 19 July 2013 and published on the websites of the HKEX and the Company in due course.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to all of my staff, shareholders and business partners for their hard work and dedication. I also wish to thank our customers for their continuous support all these years. The Group will endeavor to strive for the best in the future to develop Lukfook into an international brand.

By Order of the Board  
**Luk Fook Holdings (International) Limited**  
**WONG Wai Sheung**  
*Chairman and Chief Executive*

Hong Kong, 26 June 2013

*As at the date of this Announcement, the Company's Executive Directors are Mr. WONG Wai Sheung (Chairman and Chief Executive), Mr. TSE Moon Chuen (Deputy Chairman), Mr. WONG Ho Lung, Danny (Deputy Chairman), Miss WONG Lan Sze, Nancy, Miss WONG Hau Yeung and Miss CHUNG Vai Ping; the Non-executive Directors are Miss YEUNG Po Ling, Pauline, Mr. HUI King Wai, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, MH, JP; the Independent Non-executive Directors are Mr. LO Mun Lam, Raymond, Mr. TAI Kwok Leung, Alexander, Mr. IP Shu Kwan, Stephen, GBS, JP, Mr. FOK Kwong Man and Mr. MAK Wing Sum, Alvin.*